

Message Text

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ORIGIN NEA-10

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: RUPEES - ST. JOHNS

REF: NEW DELHI 15222

1. SUMMARY: APPRECIATE YOUR DESIRE TO WRAP UP ST. JOHNS MATTER ASAP. WE SHARE THIS WISH WITH YOU AND BELIEVE THIS CAN BE DONE. END SUMMARY.
 2. PARAGRAPH 3 AND 4 BELOW COMMENT ON PARAGRAPH 3 AND 4 OF REFTEL. PARAGRAPH 5 EXPLAINS HOW WE CAN SOLVE PROBLEM.
 3. COMMENT ON REFTEL IDEAS. PARAGRAPH 3 OF REFTEL SUGGESTS THAT APPROXIMATELY 56 MILLION RUPEES HELD IN CURRENT ACCOUNTS IN U.S. AND INDIAN BANKS AT TIME OF SIGNING OF RUPEE AGREEMENT CONSISTED SOLELY OF PL 480 RUPEES SINCE WE HAD BEEN CONDUCTING ALL OUR OPERATIONS IN INDIA WITH PL 480 RUPEES BEFORE THE AGREEMENT WAS
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SIGNED. IN FACT, CRITERIA FOR DEPOSIT RUPEES IN THESE DEPOSITARY ACCOUNTS NOT BASED ON ORIGIN. NATURE AND

USE THESE FUNDS NOT DETERMINED BY BANK ACCOUNT TO WHICH THEY WERE DEPOSITED IN INDIA, BUT BY SEPARATE ACCOUNTING SYSTEM ESTABLISHED WITHIN USG, MORE SPECIFICALLY WITHIN TREASURY. TREASURY ADVISES PL 480 SOURCE IN FOREIGN SERVICE ADVANCE (FSA) ACCOUNT AVERAGED ABOUT THREE

MILLION RUPEES, AND THIS ALL TREASURY WILL CONCEDE AS BEING OF PL 480 ORIGIN AS OF DATE AGREEMENT SIGNED. HENCE ONLY THIS AMOUNT COULD CONCEIVABLY BE USED FOR ST. JOHNS.

4. PARAGRAP 4 OF REFTEL OFFERS AS SECOND SOURCE OF FUNDING ATTRIBUTION OF 36 MILLION RUPEES FOR JOINT RESEARCH PROJECTS WHICH WOULD OTHERWISE BE FUNDED FROM COOLEY B. IN FACT, SINCE JULY 1, 1974 DEPARTMENT AND TREASURY ASSUME SUCH PROJECTS HAVE BEEN FUNDED FROM RUPEE ACCOUNT, AND HAVE BEEN OPERATING IN ACCORDANCE WITH THIS ASSUMPTION. THUS BY OUR CALCULATIONS, 36 MILLION UNDER DISCUSSION WERE NEVER CONSIDERED HERE AS BEING DRAWDOWN FROM PL 480 ASSETS, BUT FROM RUPEE ACCOUNT. SINCE WASHINGTON PLANNING FOR USE OF PL 480 CURRENCIES, WHICH REVEALED SHORTAGE, HAS BEEN BASED UPON ASSUMPTION THAT RESEARCH EXPENDITURES WOULD BE CHARGED TO RUPEE ACCOUNT, YOUR SUGGESTION WOULD NOT YIELD AN ADDITIONAL SUPPLY OF PL 480 CURRENCY AND THEREFORE COULD NOT ALLEVIATE THE PRESENT SHORTAGE.

5. PROPOSED SOLUTION. ESTIMATE COOLEY REFLOWS CONTAINED REFTEL CONSIDERABLY HIGHER THAN THOSE SUBMITTED EARLIER BY EMBASSY. BASED ON AID CONTROLLER ESTIMATES OF JANUARY 1974 WE BELIEVE FUNDS WILL BECOME AVAILABLE OVER NEXT THREE YEARS TO FULLY FUND 26 MILLION RUPEE GRANT FOR ST. JOHNS, SINCE RELATIVELY CONSERVATIVE ESTIMATES OF REFLOWS SHOULD YIELD ADDITIONAL 50 MILLION RUPEES OVER THIS PERIOD. THIS SHOULD PUT US IN A POSITION TO MAKE AN INITIAL GRANT OF THREE MILLION RUPEES TO ST. JOHNS TOWARDS END OF FY 75, AFTER MEETING TREASURY RESERVE REQUIREMENT, LIMITED OFFICIAL USE
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THE RESTORATION OF 30 MILLION FOR NEPAL TO COOLEY ACCOUNT AND THE RESIDUAL 35 MILLION FOR NEPAL. IN ADDITION WE BELIEVE WE WILL BE IN POSITION TO ALLOCATE RESIDUAL AMOUNT OF 23 MILLION REQUIRED FOR ST. JOHNS IN REMAINING TWO YEAR PERIOD. THIS CAN BE DONE WITHOUT WAITING FOR DECISIONS ON NATURE OF FUNDING FOR FBO AND LIBRARY OF CONGRESS. IT SHOULD BE NOTED THAT THESE CALCULATIONS BASED ON MOST CONSERVATIVE ESTIMATE OF REFLOWS. IF EMBASSY'S MORE OPTIMISTIC ESTIMATES PROVE CORRECT, ST. JOHNS CAN BE FULLY FUNDED

MORE QUICKLY. WE ARE DISCUSSING DETAILS ON URGENT BASIS WITH TREASURY AND OMB AND WILL ADVISE ASAP. UNTIL THEN, THINK IT PRUDENT IF AMBASSADOR HELD OFF ON INFORMING CONGRESSMAN ZABLOCKI, SENATOR KENNEDY, EX-SPEAKER MCCORMACK, GEORGE MEANY AND OTHERS INTERESTED IN GRANT TO ST. JOHNS.

6. HOWEVER, WE BELIEVE THERE WOULD BE NO PROBLEM WITH AMBASSADOR'S ANNOUNCING USG PLANNING RPT PLANNING SUBJECT AVAILABILITY OF FUNDS MAKE GRANT FOR ST. JOHNS, IN THE AMOUNT OF 26 MILLION RUPEES. SINCE IT IS YET UNCLEAR WHAT AMOUNT WILL BE AVAILABLE THIS YEAR, ANNOUNCEMENT SHOULD NOT INCLUDE ANY INDICATION WHEN MONEY WILL BE HANDED OVER. INGERSOLL

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